MONTANA ADMINISTRATIVE REGISTER

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The Montana Administrative Register (MAR or Register), a twice-monthly publication, has three sections. The Proposal Notice Section contains state agencies' proposed new, amended, or repealed rules; the rationale for the change; date and address of public hearing; and where written comments may be submitted. The Adoption Section contains final rule notices which show any changes made since the proposal stage. All rule actions are effective the day after publication of the adoption notice unless otherwise specified in the final notice. The Interpretation Section contains the Attorney General's opinions and state declaratory rulings. Special notices and tables are found at the end of each Register.

Inquiries regarding the rulemaking process, including material found in the Montana Administrative Register and the Administrative Rules of Montana, may be made by calling the Secretary of State's Office, Administrative Rules Services, at (406) 438-6122.

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BEFORE THE DEPARTMENT OF REVENUE
OF THE STATE OF MONTANA

In the matter of the amendment of ARM 42.18.121 pertaining to updates of the Montana Reappraisal Plan and Classification and Valuation Manuals	))))	NOTICE OF PUBLIC HEARING ON PROPOSED AMENDMENT

TO: All Concerned Persons

1. On November 26, 2024, at 1:00 p.m., the Department of Revenue will hold a public hearing in the Third Floor Reception Area Conference Room of the Sam W. Mitchell Building, located at 125 North Roberts, Helena, Montana, to consider the proposed amendment of the above-stated rule. The conference room is most readily accessed by entering through the east doors of the building.

2. The Department of Revenue will make reasonable accommodations for persons with disabilities who wish to participate in this public hearing or need an alternative accessible format of this notice. If you require an accommodation, please advise the department of the nature of the accommodation needed, no later than 5 p.m. on November 8, 2024. Please contact Todd Olson, Department of Revenue, Director's Office, P.O. Box 7701, Helena, Montana 59604-7701; telephone (406) 444-7905; fax (406) 444-3696; or todd.olson@mt.gov.

3. GENERAL STATEMENT OF REASONABLE NECESSITY: The department proposes its routine, periodic amendments to ARM 42.18.121 to reflect updated versions of the Plan, Montana Residential, Commercial, and Industrial Property Classification and Valuation Manual, Montana Agricultural Land Classification and Valuation Manual, and Montana Forest Land Classification and Valuation Manual, all adopted and incorporated by reference in (3), and amend the valuation cycle dates for each property class in (4) through (6) for the upcoming cycle beginning January 1, 2025.

The department also proposes to remove obsolete language in (3) regarding the Montana Forest Land Classification and Valuation Manual because the Montana Legislature enacted Senate Bill 3 (2023) which revised forest land taxation laws and the six-year valuation cycle to a two-year valuation cycle beginning in 2025, and is also reflected in the amendments to (6).

The department's proposed updates to the Plan and manuals, which are all available for review at the web site address in (3), are necessary to advance the valuation date from January 1, 2022 to January 1, 2024, the valuation cycle from 2023-2024 to 2025-2026, and to improve clarity of the material and the public's understanding of the subject matter.

While this general statement of reasonable necessity covers the basis for the proposed rule and Plan and manual amendments, it is supplemented below to explain Plan and manual-specific proposals.

4. The rule as proposed to be amended provides as follows, new matter underlined, deleted matter interlined:

42.18.121 PURPOSE; ADOPTION OF MONTANA REAPPRAISAL PLAN AND MANUALS; VALUATION CYCLES (1) This ~~chapter~~ rule pertains to the department's statutorily required reappraisal plan and related property classification and valuation manuals for each valuation cycle. The Montana Reappraisal Plan (Plan) provides an overview of the department's duty to complete uniform valuations of all taxable real property. The manuals referenced in (3) describe department processes used in the classification and valuation of residential land and improvements, commercial land and improvements, industrial land and improvements, agricultural land, and forest land.

(2) The department will use its computer assisted mass appraisal (CAMA) system to assist in its valuation processes and will consider the sales comparison approach, cost approach, and income approach in its determination of a property's market value. The department shall use the approach or approaches based on the type of property and the quantity and quality of data available.

(3) The department adopts and incorporates by reference the Plan, the Montana Residential, Commercial, and Industrial Property Classification and Valuation Manual, ~~and~~ the Montana Agricultural Land Classification and Valuation Manual, and the Montana Forest Land Classification and Valuation Manual, all dated January 1, ~~2023~~ 2025. ~~The department also adopts and incorporates by reference the Montana Forest Land Classification and Valuation Manual dated January 1, 2021, and updated as of January 1, 2023.~~ Each manual explains how the department classifies and values subject property types. A copy of the Plan and the manuals may be obtained from the Department of Revenue, Property Assessment Division, P.O. Box 8018, Helena, MT 59604-8018, and on the department's web site at https://mtrevenue.gov/publications/property-reappraisal-plan-manuals.

(4) Class four residential, commercial, and industrial property is appraised at its market value as of January 1, ~~2022~~ 2024, for the ~~2023-2024~~ 2025-2026 valuation cycle.

(5) Class three agricultural land is appraised at its productivity value as of January 1, ~~2022~~ 2024, for the ~~2023-2024~~ 2025-2026 valuation cycle. Agricultural land values reflect productivity values in accordance with 15-7-201, MCA.

(6) Class ten forest land is appraised at its productivity value as of January 1, ~~2020~~ 2024, for the ~~2021-2026~~ 2025-2026 valuation cycle. Forest land values reflect productivity values in accordance with 15-44-103, MCA.

(7) For the purposes of these rules, the terms "reappraisal cycle" and "valuation cycle" are considered synonymous and interchangeable.

AUTH: 15-1-201, 15-7-111, 15-7-201, MCA
IMP: 15-7-101, 15-7-103, 15-7-111, 15-7-112, 15-7-201, 15-44-103, MCA

Montana Reappraisal Plan

In addition to the department's general statement of reasonable necessity, the department proposes amendments to the Plan's "Resources" section to reflect

department reorganization and the creation of a new Geographic Information System (GIS) Unit within the Property Assessment Division's central office as of March 2024.

Residential, Commercial, and Industrial Classification and Valuation Manual

In addition to the department's general statement of reasonable necessity, in this manual the department proposes to add a cross-reference on page 7 to 15-8-120, MCA (2023), which is the confidentiality provision for income and expense data voluntarily provided by taxpayers to the department for use in the income approach to value.

The department proposes to update the quality grade factors on pages 12, 16, and 21, which are used in the cost approach for residential and commercial property valuation because construction costs change from valuation cycle to valuation cycle and directly relate to quality grade factors.

For the 2025–2026 valuation cycle, the department proposes to update the residential and manufactured homes economic condition factor (ECF) calculation formula to match the ECF formula used for commercial property. The current residential and manufactured homes formula can be found on pages 17 and 18, while the commercial ECF formula is on page 24. This update will result in the department using one ECF formula instead of three. Currently, the ECF for residential and manufactured homes is calculated by comparing the average cost value to the average comparable sales approach value (market value) when a market model is developed. Since the comparable sales approach is not always the appropriate appraisal methodology to value all residential and manufactured homes - due to lack of sales data for an area, or unique properties - developing an ECF from the sales comparison approach (market value) can lead to less accurate economic condition factors. The department believes updating the ECF calculation for residential properties and manufactured homes to compare average sales price to average cost value will contribute to more accurate cost values and improved consistency across the state. This update is supported by standard appraisal methodology.

In Appendices A and B (pages 33 and 44, respectively), the department proposes to amend the property type tables by removing unnecessary property type codes and simplify naming conventions to improve appraiser property type selection consistency in the department's CAMA system. An example of this is distinguishing urban from rural property as department staff are able to identify the property characteristic through other means.

In Appendices C through F, the department proposes to update sale verification forms for residential, mobile home and manufactured home, commercial, and industrial property. The department updated the forms within the last two years with improved formatting and verbiage.

The department proposes to update Appendix G with 15-8-120, MCA, enacted by Senate Bill 62 (2023).

In Appendix H, the department proposes to remove ARM 42.22.1305 as the rule was repealed in the implementation of Senate Bill 46 (2023), MAR Notice No. 42-1070. The department proposes to include ARM 42.20.109 as it was

unintentionally omitted from the list of relevant administrative rules provided in the manual.

Agricultural Land Classification and Valuation Manual

In addition to the department's general statement of reasonable necessity, in this manual the department proposes to enhance this manual's authoritative support by including citations or verbiage directly from statute or administrative rule, where appropriate. The updates are necessary because policy and process manuals can appear and read as somewhat informal, but are not applied informally; such is the case with this manual. It is in the department's and the public's best interest to include legal attribution and more exact phrasing of the department's responsibilities and processes in property valuation and indicate the authority for any requirements placed on property owners.

The department proposes to remove or reorganize content within each section that is not relevant to that section. An example is in the Productivity section where the department proposes to strike text and examples regarding aftermath grazing, which is described below. The department also proposes to remove the forest land table from the Homesite section (page 45) because it is not relevant and can be found in the Forest Land Classification and Valuation Manual.

The department also proposes to update the manual's agricultural valuation examples to improve the public's understanding of agricultural land subclassifications and proposes to amend the land classification list to include all agricultural land subclasses that are classified according to its use.

The department proposes to amend easements, right-of-way, and water boundary descriptions in the "Ownerships" on pages 4 through 7 which is necessary for correction and to improve the Manual's alignment with what is found in Title 70, chapter 18, MCA, regarding watercourses, and Title 76, chapter 6, MCA, regarding land uses.

The department proposes to amend the Noncontiguous Parcels Under One Ownership subsection (pages 7 through 9) to include examples which further clarify the term "integral" as it relates to the requirement that the noncontiguous parcels be actively devoted to agriculture and an integral part of a bona fide agricultural operation.

On pages 17 and 18, the department proposes the removal of information that applies to aftermath grazing because the department's additional research into the Natural Resources Conservation Service (NRCS) soil survey concluded that the NRCS does not include aftermath grazing into its productivity calculations for non-irrigated continuously cropped hay land.

On pages 22 and 23, the department proposes abbreviating formulas for internal consistency with the units referenced in the formulas (e.g., using AUM instead of animal unit months) and the formulas and examples for stocking rates for AUM/acre are proposed for removal because carrying capacity is used to determine eligibility for grazing, not stocking rate. The department believes the current stocking rate examples are confusing and their removal improves consistency of the content.

The department proposes to amend the Eligibility Requirements subsection under the Agricultural Eligibility section to include a clarifying example for lease income on page 26. The department proposes to amend the list of criteria for noncontiguous parcels under one ownership to meet the $1,500 annual income requirement.

The department proposes to move specialty crops text from the Agricultural Valuation section to the Classification section on page 30 with the other subclasses with the title Specialty Crop Farm Land. Specialty crop farm land became a subclass in 2017.

The department proposes to amend the Agricultural Valuation section, under the crop share subsection (page 35), to include specialty crop farm land and to update grazing land to show the crop share that is used in the department's calculations and is reflected in the department's systems.

The department proposes to add Appendix C to include a history section and proposes to transfer all other internal history text from the body of the manual to Appendix C to improve the manual's organization.

Lastly, the department notes that the manual has had numerous editors and subject matter experts' input since the adoption of the manual into administrative rule and sentence structure, verb tense, phrasing, and general use of verbiage within the manual lacks a desired level of consistency. Accordingly, and as described above in the general statement of reasonable necessity, the department proposes several nonsubstantive amendments to text to improve grammar, sentence structure, and verbiage with the goal of improving the overall readability of the manual.

Forest Land Classification and Valuation Manual

In addition to the above-described global amendments, in this manual the department proposes to update examples throughout to improve subject matter understanding for the different forest land sections. The department also proposes edits to department form titles for internal consistency and to minimize confusion when a form is updated but the process described for the form are referenced differently.

The department proposes to move the history and statute and administrative rule tables from pages 1 and 2 to proposed Appendix A for consistency in layout with the other manuals adopted and incorporated by reference in ARM 42.18.121. This layout minimizes future manual edits for statute and rule changes.

The department proposes to strike the last sentence of the first paragraph of the Ownership subsection under the Eligibility section (page 3) because the text is confusing and does not lend any substantive guidance to the reader.

The department proposes certain manual changes to reflect new service and consultation roles for the department and the Forest Lands Taxation Advisory Committee (Committee), which were agreed upon during the Committee's required public meeting held on June 11, 2024:

- Determining forest zones is a task that has been assumed by the Committee. Under the subsection "Zones" in the Valuation section, it is necessary to update the responsible party.

- During the 2022 legislative interim, the Committee requested the department's Tax Policy and Research (TPR) Unit develop stumpage value models on a go-forward basis. The department proposes updates to the Stumpage Value section and reiterates that 15-44-103, MCA, requires the department use an Olympic average to determine annual income for the "base period" which is the most recent 10-year period.
- Minor edits are proposed to reflect the statutory provisions in 15-44-103, MCA, relative to the department's and Committee's role in setting capitalization rates.

The Committee recommended, and the department likewise proposes, an amendment to the Non-forest Land, Nonproductive Forest Land and Noncommercial Forest Land subsection on page 8, to remove the sentence pertaining to non-forest land not being tied by ownership. Upon additional review by the department and the Committee, the stated requirement does not have its basis in statute.

The department proposes minor updates to department names and fee descriptions in the Forest Costs subsection on page 13 at the recommendation of the Department of Natural Resources and Conservation.

As a result of the department's rulemaking under MAR Notice No. 42-1084 (effective October 5, 2024), it is necessary for the department to remove the Valuation Phase-In section due (page 14) to the two-year cycle for forest land (without a phase-in); remove the Value Before Reappraisal (VBR) section (page 15); add verbiage to the Valuation section (beginning on page 10) from repealed ARM 42.20.745 that is relevant to the appraisal process; update the Natural Disaster section (beginning on page 13) to reflect an updated process for natural disaster applications; and remove ARM 42.20.745 from the administrative rules list.

In the Improvements on Forest Land section (page 16), the department proposes to replace the International Association of Assessing Officers (IAAO) glossary definition of improvements with the definition of improvements provided in 15-1-101, MCA, because the department should give primary deference to statutory definitions when and where the legislature provides them.

5. Concerned persons may submit their data, views, or arguments, either orally or in writing, at the hearing. Written data, views, or arguments may also be submitted to: Todd Olson, Department of Revenue, Director's Office, P.O. Box 7701, Helena, Montana 59604-7701; telephone (406) 444-7905; fax (406) 444-3696; or e-mail todd.olson@mt.gov and must be received no later than 5:00 p.m., December 3, 2024.

6. Todd Olson, Department of Revenue, Director's Office, has been designated to preside over and conduct the hearing.

7. The Department of Revenue maintains a list of interested persons who wish to receive notices of rulemaking actions proposed by this agency. Persons who wish to have their name added to the list shall make a written request, which includes the name and e-mail or mailing address of the person to receive notices and specifies that the person wishes to receive notice regarding particular subject matter or matters. Notices will be sent by e-mail unless a mailing preference is

noted in the request. A written request may be mailed or delivered to the person in number 5 above or faxed to the office at (406) 444-3696 or may be made by completing a request form at any rules hearing held by the Department of Revenue.

8. An electronic copy of this notice is available on the department's web site at www.mtrevenue.gov, or through the Secretary of State's web site at rules.mt.gov.

9. The bill sponsor contact requirements of 2-4-302, MCA, do not apply.

10. With regard to the requirements of 2-4-111, MCA, the department has determined that the amendment of the above-referenced rule will not significantly and directly impact small businesses.

11. The department intends to adopt the above-described rule amendment during the fourth quarter of 2024, with an effective date of January 1, 2025. With regard to the requirements of 2-4-305(11), MCA, this rulemaking meets the exceptions provided in (11)(b)(ii) because the current Plan and manuals, adopted and incorporated in ARM 42.18.121, are updated during the fourth calendar quarter of the year preceding the next reappraisal cycle for statutory compliance.

/s/ Todd Olson	/s/ Brendan Beatty
Todd Olson	Brendan Beatty
Rule Reviewer	Director of Revenue

Certified to the Secretary of State October 22, 2024.

BEFORE THE DEPARTMENT OF REVENUE
OF THE STATE OF MONTANA

In the matter of the amendment of ARM 42.21.155 and 42.22.1311 pertaining to 2025 Personal Property Depreciation Schedules and Trend Tables	)))))	NOTICE OF PUBLIC HEARING ON PROPOSED AMENDMENT

TO: All Concerned Persons

1. On November 26, 2024, at 2:00 p.m., the Department of Revenue will hold a public hearing in the Third Floor Reception Area Conference Room of the Sam W. Mitchell Building, located at 125 North Roberts, Helena, Montana, to consider the proposed amendment of the above-stated rules. The conference room is most readily accessed by entering through the east doors of the building.

2. The Department of Revenue will make reasonable accommodations for persons with disabilities who wish to participate in this public hearing or need an alternative accessible format of this notice. If you require an accommodation, please advise the department of the nature of the accommodation needed, no later than 5 p.m. on November 8, 2024. Please contact Kassie Hawbaker, Department of Revenue, Director's Office, P.O. Box 7701, Helena, Montana 59604-7701; telephone (406) 444-0365; fax (406) 444-3696; or kassie.hawbaker@mt.gov.

3. STATEMENT OF REASONABLE NECESSITY. The department proposes to amend ARM 42.21.155 and 42.22.1311 to update the authority of the web-based Personal Property Depreciation Schedules and Trend Tables publication (publication), adopted and incorporated by reference in the rules, to the 2025 version. The publication is updated annually, effective January 1, and is located within the department's website at https://mtrevenue.gov. The 2025 publication reflects changes in personal property and industrial machinery and equipment depreciation and trend factoring data in the department's valuation manuals and guides since last year. Both the 2024 publication and the proposed 2025 publication are available for review.

4. The rules as proposed to be amended provide as follows, new matter underlined, deleted matter interlined:

<u>42.21.155 PERSONAL PROPERTY CATEGORIES AND TRENDED DEPRECIATION METHODOLOGIES</u> (1) The department has established eight categories of personal property for determination of trend factors and depreciation, and trended depreciation schedules of four, five, ten, fifteen, or twenty years have been assigned for each category based on its type and expected useful lifespan, as provided in (4). The equipment listings in (4) provide representative examples of property in a category and are not meant to be an exhaustive list.

(2) Each trended depreciation schedule contains a residual trended percent good, designated as "older" in the final row of each schedule, which is applied to an item of personal property that exceeds the typical lifespan because personal property remains taxable until its disposal. The purpose of trended depreciation is to bring the cost of equipment acquired in a previous year to an approximate current cost before depreciating it.

(3) Prior to January 1 of each year, the department will use cost index trends for equipment and depreciation percentages for furniture and fixtures from the previous July's edition of Marshall & Swift Valuation Service Guide (Marshall & Swift Guide) to calculate the trend factors and the trended percent good for the schedules in (4). The Marshall & Swift Guide is a widely recognized valuation authority which the department adopts and incorporates by reference. The Marshall & Swift Guide may be reviewed at the department's central office or purchased from the publisher: Corelogic, 40 Pacifica Street, Suite 900, Irvine, California 92618.

(a) The trends from the Marshall & Swift Guide represent industry-wide national average changes in equipment costs - customarily increases - from the base year, 1926. Trends are typically greater than a value of one, but may be less than one.

(b) For trended depreciation schedules, the department calculates the year one trend for each schedule as the average trend of the first three quarters of the current year. The trend for each successive year is the final trend for that year.

(i) Using year one as the base year, the department calculates the changes in equipment costs - the trend factors - for each schedule in (4), as the quotient of the year one trend and any following year's trend.

(ii) The department then uses the depreciation percentages from the Marshall & Swift Guide to calculate the "percent good" over the period of years that is typical for each property category. Trended percent good is then calculated as the product of the percent good and the trend factor for each year represented in a schedule.

(4) The department shall post its trended depreciation schedules for the upcoming tax year for the categories of personal property described below on the department's website located at http://www.mtrevenue.gov. The department adopts and incorporates by reference its ~~2024~~ 2025 Personal Property Depreciation Schedules and Trend Tables publication, effective January 1, ~~2024~~ 2025. The Depreciation Schedules and Trend Tables publication contains the detailed schedules and tables the department uses for valuing personal property and industrial machinery and equipment. The personal property categories and trended depreciation methodologies that apply to the Depreciation Schedules and Trend Tables publication are as follows:

(a) Computerized Equipment - a four-year depreciation and a residual percentage will be applied to computerized equipment such as computers, peripheral equipment that cannot function independently of a computer, computerized medical equipment, and gaming machines. The four-year depreciation schedule was developed and implemented after consultation with industry representatives; the trend factors are calculated from the office equipment category of the Marshall & Swift Guide.

(b) Office and Commercial Equipment - a five-year depreciation and a residual percentage will be applied to non-computerized equipment such as office equipment and furnishings, specialized medical equipment, janitorial equipment, coin-operated washers and dryers, beauty and barber shop equipment, tanning beds, furnishings for hotels, motels, rental apartments, rental homes, nursing home and other care facilities, and locally assessed cable tv dishes. The trend factors are calculated from the office equipment category of the Marshall & Swift Guide.

(c) Furniture, Fixtures, and Miscellaneous Equipment - a ten-year depreciation and a residual percentage will be applied to all other commercial furniture and fixtures such as handheld and non-handheld shop and construction tools and equipment, medical and dental chairs and tables, theater equipment, survey equipment, billboards and signage, garbage bins, coin-operated pool and other game tables, gas pumps, bar and restaurant equipment and furnishings, bowling alleys and equipment, excepting auto-scorers which have a four-year depreciation, photo and developing equipment, mortuary equipment, safes, security systems, port-a-potties, locally assessed cable tv towers, ski lift equipment including aerial lifts, surface lifts, portable lifts and tows including the towers, cables, ropes, sheave assemblies, the conveying devices, power units, and all accessories. The trend factors are calculated from the average-of-all category of the Marshall & Swift Guide.

(d) Seismograph Units and Allied Equipment - a five-year depreciation and a residual percentage will be applied to seismograph units and allied equipment. An 80 percent wholesale factor is used for wheeled seismograph units. The trend factors are calculated from the chemical industry category of the Marshall & Swift Guide.

(e) Oil Drilling, Workover, and Service Rigs - a ten-year depreciation and a residual percentage will be applied to all oil drilling, workover, and service rigs. An 80 percent wholesale factor is applied to self-propelled wheeled workover and service rigs. The trend factors are calculated from the chemical industry category of the Marshall & Swift Guide.

(f) Oil and Gas Field Machinery and Equipment - a fifteen-year depreciation and a residual percentage will be applied to oil and gas field machinery and equipment. The trend factors are calculated from the chemical industry category of the Marshall & Swift Guide.

(g) Farm Machinery and Equipment - a twenty-year depreciation and a residual percentage will be applied to farm machinery and equipment. A 50 percent wholesale factor is applied. The trend factors are calculated from the average-of-all category of the Marshall & Swift Guide.

(h) Heavy Equipment - a twenty-year depreciation and a residual percentage will be applied to heavy equipment. A 50 percent wholesale factor is applied. The trend factors are calculated from the contractor's equipment category of the Marshall & Swift Guide.

AUTH: 15-1-201, 15-23-108, MCA
IMP: 15-6-135, 15-6-138, 15-6-202, 15-6-207, 15-6-213,15-6-219, 15-8-111, MCA

42.22.1311 INDUSTRIAL MACHINERY AND EQUIPMENT TREND FACTORS (1) Prior to January 1 of each year, the department calculates trend factors to value industrial machinery and equipment for ad valorem tax purposes pursuant to ARM 42.22.1306. The department uses annual cost indexes from the Marshall & Swift Guide described in ARM 42.21.155. The current index is divided by the annual index for each year to arrive at a trending factor. Each major industry has its own trend factor table containing industry descriptions with the applicable trend table number and life expectancy. Where no index exists in the Marshall & Swift Guide for an industry, that industry is grouped with other industries using similar equipment. Industrial machinery and equipment remain taxable at the level of the final year of life expectancy until its disposal.

(2) The department shall post its trend factor tables for industrial machinery and equipment for the upcoming tax year on the department's internet website located at http://www.mtrevenue.gov. The department adopts and incorporates by reference its ~~2024~~ 2025 Personal Property Depreciation Schedules and Trend Tables publication, effective January 1, ~~2024~~ 2025. The Depreciation Schedules and Trend Tables publication contains the detailed schedules and tables the department uses for valuing personal property and industrial machinery and equipment.

(3) Mining machinery and equipment is engaged in the extraction, excavation, burrowing, or otherwise freeing raw material from the earth. Mobile mining equipment moves under its own power or on its own wheels and chassis, including any attachments used with or attached to such equipment, but does not include equipment that requires a foundation for the performance of the function for which it was designed and built. Mobile mining equipment used for extraction is valued by using the procedures established for heavy equipment found in ARM 42.21.154 and 42.21.155.

AUTH: 15-1-201, MCA
IMP: 15-6-135, 15-6-138, 15-8-111, MCA

5. Concerned persons may submit their data, views, or arguments, either orally or in writing, at the hearing. Written data, views, or arguments may also be submitted to: Kassie Hawbaker, Department of Revenue, Director's Office, P.O. Box 7701, Helena, Montana 59604-7701; telephone (406) 444-0365; fax (406) 444-3696; or e-mail todd.olson@mt.gov and must be received no later than 5:00 p.m., December 2, 2024.

6. Todd Olson, Department of Revenue, Director's Office, has been designated to preside over and conduct the hearing.

7. The Department of Revenue maintains a list of interested persons who wish to receive notices of rulemaking actions proposed by this agency. Persons who wish to have their name added to the list shall make a written request, which includes the name and e-mail or mailing address of the person to receive notices and specifies that the person wishes to receive notice regarding particular subject matter or matters. Notices will be sent by e-mail unless a mailing preference is

noted in the request. A written request may be mailed or delivered to the person in number 5 above or faxed to the office at (406) 444-3696, or may be made by completing a request form at any rules hearing held by the Department of Revenue.

8. An electronic copy of this notice is available on the department's web site at www.mtrevenue.gov, or through the Secretary of State's web site at rules.mt.gov.

9. The bill sponsor contact requirements of 2-4-302, MCA, do not apply.

10. With regard to the requirements of 2-4-111, MCA, the department has determined that the amendment of the publication referenced in the above-referenced rules may significantly and directly impact small businesses. While the extent of any potential impact is fact-dependent on the circumstances of each taxpayer, the department notes the following impactful changes based on the valuation resources adopted by the department:

- Personal property taxpayers are likely to see a lower than average increase in the taxable value of their property in 2025 as compared to 2024. The anticipated increase in taxable value is the result of the valuation process which first trends the acquired cost to an approximate current value before applying depreciation. The department has used the same method and source for trend factors for many years.
    - The 5-year average rate of increase in the trend factors for office equipment is 5.34 percent; the 2025 trend increased 0.80 percent.
    - The 10-year average rate of increase in the trend factors for miscellaneous furniture and fixtures is 3.88 percent; the 2025 trend increased 1.12 percent.
    - The 15-year average rate of increase in the trend factors for oil and gas field equipment is 3.09 percent; the 2025 trend increased 1.63 percent.
    - The 30-year average rate of increase in the trend factors for farm machinery and equipment is 2.90 percent; the 2025 trend increased 1.12 percent.
    - The 30-year average rate of increase in the trend factors for heavy equipment is 2.75 percent; the 2025 trend increased 1.98 percent.

11. The department intends to adopt the above-described rule amendments during the fourth quarter of 2024, with an effective date of January 1, 2025. With regard to the requirements of 2-4-305(11), MCA, this rulemaking meets one or more of the exceptions provided in (11)(b)(ii) because ARM 42.21.155 and 42.22.1311 are procedural rules that already acknowledge and disclose that the valuation data source, which the department has adopted and incorporated into the rules (e.g., Marshall & Swift Valuation Service Guide) and uses to update the publication described in number 3 above, is unavailable until the third calendar quarter of any year.

/s/ Todd Olson
Todd Olson
Rule Reviewer

/s/ Scott Mendenhall
Scott Mendenhall
Deputy Director of Revenue

Certified to the Secretary of State October 22, 2024

NOTICE OF FUNCTION OF ADMINISTRATIVE RULE REVIEW COMMITTEES

Interim Committees and the Environmental Quality Council

Administrative rule review is a function of interim committees and the Environmental Quality Council (EQC). These interim committees and the EQC have administrative rule review, program evaluation, and monitoring functions for the following executive branch agencies and the entities attached to agencies for administrative purposes.

Economic Affairs Interim Committee

- Department of Agriculture
- Department of Commerce
- Department of Labor and Industry
- Department of Livestock
- Office of the State Auditor (Commissioner of Securities and Insurance)
- Office of Economic Development
- Division of Banking and Financial Institutions
- Alcoholic Beverage Control Division
- Cannabis Control Division

Education Interim Committee

- State Board of Education
- Board of Public Education
- Board of Regents of Higher Education
- Office of Public Instruction
- Montana Historical Society
- Montana State Library

Children, Families, Health, and Human Services Interim Committee

- Department of Public Health and Human Services

Law and Justice Interim Committee

- Department of Corrections
- Department of Justice

Energy and Telecommunications Interim Committee

- Department of Public Service Regulation

Revenue Interim Committee

- Department of Revenue
- Montana Tax Appeal Board

State Administration and Veterans' Affairs Interim Committee

- Department of Administration
- Montana Public Employee Retirement Administration
- Board of Investments
- Department of Military Affairs
- Office of the Secretary of State
- Office of the Commissioner of Political Practices

Transportation Interim Committee

- Department of Transportation
- Motor Vehicle Division (Department of Justice)

Environmental Quality Council

- Department of Environmental Quality
- Department of Fish, Wildlife and Parks
- Department of Natural Resources and Conservation

Water Policy Interim Committee (where the primary concern is the quality or quantity of water)

- Department of Environmental Quality
- Department of Fish, Wildlife and Parks
- Department of Natural Resources and Conservation

These interim committees and the EQC have the authority to make recommendations to an agency regarding the adoption, amendment, or repeal of a rule or to request that the agency prepare a statement of the estimated economic impact of a proposal. They also may poll the members of the Legislature to determine if a proposed rule is consistent with the intent of the Legislature or, during a legislative session, introduce a bill repealing a rule, or directing an agency to adopt or amend a rule, or a Joint Resolution recommending that an agency adopt, amend, or repeal a rule.

The interim committees and the EQC welcome comments and invite members of the public to appear before them or to send written statements in order to bring to their attention any difficulties with the existing or proposed rules. The mailing address is P.O. Box 201706, Helena, MT 59620-1706.

RECENT RULEMAKING BY AGENCY

The Administrative Rules of Montana (ARM) is a compilation of existing permanent rules of those executive agencies that have been designated by the Montana Administrative Procedure Act for inclusion in the ARM. This list includes notices in which those rules adopted during the period May 10 through October 18, 2024, occurred and any proposed rule action that was pending during the past 6-month period. (A notice of adoption must be published within six months of the published notice of the proposed rule.) This list does not include the contents of this issue of the Montana Administrative Register (MAR or Register).

To be current on proposed and adopted rulemaking, it is necessary to check the ARM updated through March 31, 2024, this list, and the table of contents of this issue of the Register.

This list indicates the department name, title number, notice numbers in ascending order, the subject matter of the notice, and the page number(s) at which the notice is published in the 2024 Montana Administrative Register.

To aid the user, this list includes rulemaking actions of such entities as boards and commissions listed separately under their appropriate title number.

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